

***PACE CHARTER SCHOOL  
OF HAMILTON***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2014***

***PACE CHARTER SCHOOL  
OF  
HAMILTON***

***Pace Charter School of Hamilton  
Board of Trustees  
Hamilton, New Jersey***

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2014***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014***

***Prepared by  
Pace Charter School of Hamilton  
Finance Department***

***And  
Barre & Company, CPAs***

## STATE BOARD OF EDUCATION

ARCELIO APONTE..... President	Middlesex
JOSEPH FISICARO..... Vice President	Burlington
MARK W. BIEDRON.....	Hunterdon
RONALD K. BUTCHER.....	Gloucester
CLAIRE CHAMBERLAIN .....	Somerset
JACK FORNARO .....	Warren
EDITHE FULTON.....	Ocean
ERNEST P. LEPORE.....	Hudson
ANDREW J. MULVIHILL.....	Sussex
J. PETER SIMON.....	Morris
DOROTHY S. STRICKLAND .....	Essex

**David C. Hespe, Acting Commissioner of Education**  
**Secretary, State Board of Education**

# PACE CHARTER SCHOOL OF HAMILTON

## TABLE OF CONTENTS

	Page
<b>INTRODUCTORY SECTION .....</b>	<b>1</b>
Letter of Transmittal .....	2
Organizational Chart .....	6
Roster of Officials .....	7
Consultants and Advisors .....	8
<b>FINANCIAL SECTION .....</b>	<b>9</b>
Independent Auditor's Report .....	10
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I .....</b>	<b>13</b>
Management's Discussion and Analysis .....	14
<b>BASIC FINANCIAL STATEMENTS .....</b>	<b>21</b>
<b>SECTION A – DISTRICT-WIDE FINANCIAL STATEMENTS .....</b>	<b>22</b>
A-1 Statement of Net Position .....	23
A-2 Statement of Activities .....	24
<b>SECTION B – FUND FINANCIAL STATEMENTS .....</b>	<b>25</b>
<b>GOVERNMENTAL FUNDS .....</b>	<b>26</b>
B-1 Balance Sheet .....	27
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance .....	28
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	29
<b>PROPRIETARY FUNDS .....</b>	<b>30</b>
B-4 Statement of Fund Net Position .....	31
B-5 Statement of Revenues, Expenses, and Changes in Net Position .....	32
B-6 Statement of Cash Flows .....	33
<b>FIDUCIARY FUNDS .....</b>	<b>34</b>
B-7 Statement of Fiduciary Net Position .....	35
B-8 Statement of Changes in Fiduciary Net Position .....	N/A
<b>NOTES TO BASIC FINANCIAL STATEMENTS .....</b>	<b>36</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART II .....</b>	<b>58</b>

# PACE CHARTER SCHOOL OF HAMILTON

## TABLE OF CONTENTS

Page

### **FINANCIAL SECTION (CONTINUED)**

#### **SECTION C – BUDGETARY COMPARISON SCHEDULES ..... 59**

C-1	Budgetary Comparison Schedule – General Fund.....	60
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	N/A
C-1b	Community Development Block Grant .....	N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund .....	62

#### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION..... 63**

C-3	Budget-to-GAAP Reconciliation .....	64
-----	-------------------------------------	----

#### **OTHER SUPPLEMENTARY INFORMATION ..... 65**

#### **SECTION D – SCHOOL BASED BUDGET SCHEDULES..... N/A**

D-1	Combining Balance Sheet.....	N/A
D-2	Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type - Actual.....	N/A
D-3	Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual .....	N/A

#### **SECTION E – SPECIAL REVENUE FUND ..... 66**

E-1	Combining Schedule of Revenues and Expenditures – Budgetary Basis .....	67
E-2	Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis .....	N/A

#### **SECTION F – CAPITAL PROJECTS FUND ..... N/A**

F-1	Summary Schedule of Project Expenditures.....	N/A
F-2	Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis .....	N/A

#### **SECTION G – PROPRIETARY FUND..... 68**

#### **ENTERPRISE FUND ..... N/A**

G-1	Combining Statement of Net Position .....	N/A
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	N/A
G-3	Combining Statement of Cash Flows.....	N/A

# PACE CHARTER SCHOOL OF HAMILTON

## TABLE OF CONTENTS

Page

### **FINANCIAL SECTION (CONTINUED)**

#### **INTERNAL SERVICE FUND ..... N/A**

G-4	Combining Statement of Net Position .....	N/A
G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	N/A
G-6	Combining Statement of Cash Flows.....	N/A

#### **SECTION H – FIDUCIARY FUND ..... 69**

H-1	Combining Statement of Fiduciary Net Position.....	70
H-2	Statement of Changes in Fiduciary Net Position.....	N/A
H-3	Student Activities Fund – Schedule of Receipts and Disbursements.....	N/A
H-4	Payroll Agency Fund – Schedule of Receipts and Disbursements .....	71

#### **SECTION I –LONG TERM DEBT..... NA**

I-1	Schedule of Serial Bonds.....	N/A
I-2	Schedule of Obligations under Capital Leases .....	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule.....	N/A

#### **STATISTICAL SECTION (UNAUDITED)..... 72**

#### **INTRODUCTION TO THE STATISTICAL SECTION..... 73**

#### **FINANCIAL TRENDS ..... 74**

J-1	Net Assets/Position by Component.....	75
J-2	Changes in Net Assets/Position .....	76
J-3	Fund Balances-Governmental Funds.....	77
J-4	Changes in Fund Balances, Governmental Funds.....	78
J-5	General Fund Other Local Revenue by Source (NJ) .....	79

#### **REVENUE CAPACITY..... N/A**

J-6	Assessed Value and Estimated Actual Value of Taxable Property .....	N/A
J-7	Direct and Overlapping Property Tax Rates.....	N/A
J-8	Principal Property Taxpayers* .....	N/A
J-9	Property Tax Levies and Collections.....	N/A

#### **DEBT CAPACITY INFORMATION..... N/A**

J-10	Ratios or Outstanding Debt by Type .....	N/A
J-11	Ratios of General Bonded Debt Outstanding.....	N/A
J-12	Direct and Overlapping Governmental Activities Debt .....	N/A
J-13	Legal Debt Margin Information.....	N/A

# PACE CHARTER SCHOOL OF HAMILTON

## TABLE OF CONTENTS

Page

### STATISTICAL SECTION (UNAUDITED)(CONTINUED)

#### DEMOGRAPHIC AND ECONOMIC INFORMATION ..... N/A

J-14	Demographic and Economic Statistics.....	N/A
J-15	Principal Employers, Current and Nine Yrs Ago.....	N/A

#### OPERATING INFORMATION..... 80

J-16	Full-time Equivalent Charter School Employees by Function/Program.....	81
J-17	Operating Statistics .....	82
J-18	School Building Information .....	83
J-19	Schedule of Required Maintenance Expenditures by School Facility .....	N/A
J-20	Insurance Schedule .....	84
J-21	J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios	85

\*Private citizen should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

#### SINGLE AUDIT SECTION..... 86

K-1	Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standard</i> .....	87
K-2	Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control over Compliance In Accordance With OMB Circular A-133 and New Jersey OMB Circular 04-04 .....	89
K-3	Schedule of Expenditures of Federal Awards – Schedule A.....	92
K-4	Schedule of Awards of State Financial Assistance – Schedule B.....	93
K-5	Notes to the Schedules of Expenditures of Awards and Financial Assistance.....	94
K-6	Schedule of Findings and Questioned Costs .....	97
K-7	Summary Schedule of Prior Year Audit Findings .....	100



***INTRODUCTORY SECTION***

***PACE CHARTER SCHOOL OF HAMILTON  
1949 HAMILTON AVENUE  
HAMILTON, NEW JERSEY 08619  
609-587-2288***

October 23, 2014

Honorable President and  
Members of the Board of Trustees  
Pace Charter School of Hamilton  
County of Mercer  
Hamilton, New Jersey 08619

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Pace Charter School of Hamilton (Charter School) for the fiscal year ended June 30, 2014. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Pace Charter School of Hamilton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, as amended, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## Charter School Organization

An elected seven-member Board of Education (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Head of School is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The school Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

**1. REPORTING ENTITY AND ITS SERVICES:** Pace Charter School of Hamilton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Pace Charter School of Hamilton Board of Trustees constitutes the Charter School’s reporting entity.

Pace Charter School of Hamilton provides a full range of services appropriate to Kindergarten–Grade 3. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2013-2014 school year with an enrollment of 149 students. The following details the student enrollment of the Charter School.

### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013-2014	149	-0.88%
2012-2013	117	0.89%
2011-2012	117	-6.67%
2010-2011	112	0.00%

**2. ECONOMIC CONDITION AND OUTLOOK:** Hamilton continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Hamilton will continue to prosper.

**3. INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

**4. BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

**5. CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. **OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, *"Audits of State, Local Governments and Non-Profit Organization"* and State Treasury Circular Letter 04-04 OMB, *"Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid."* The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

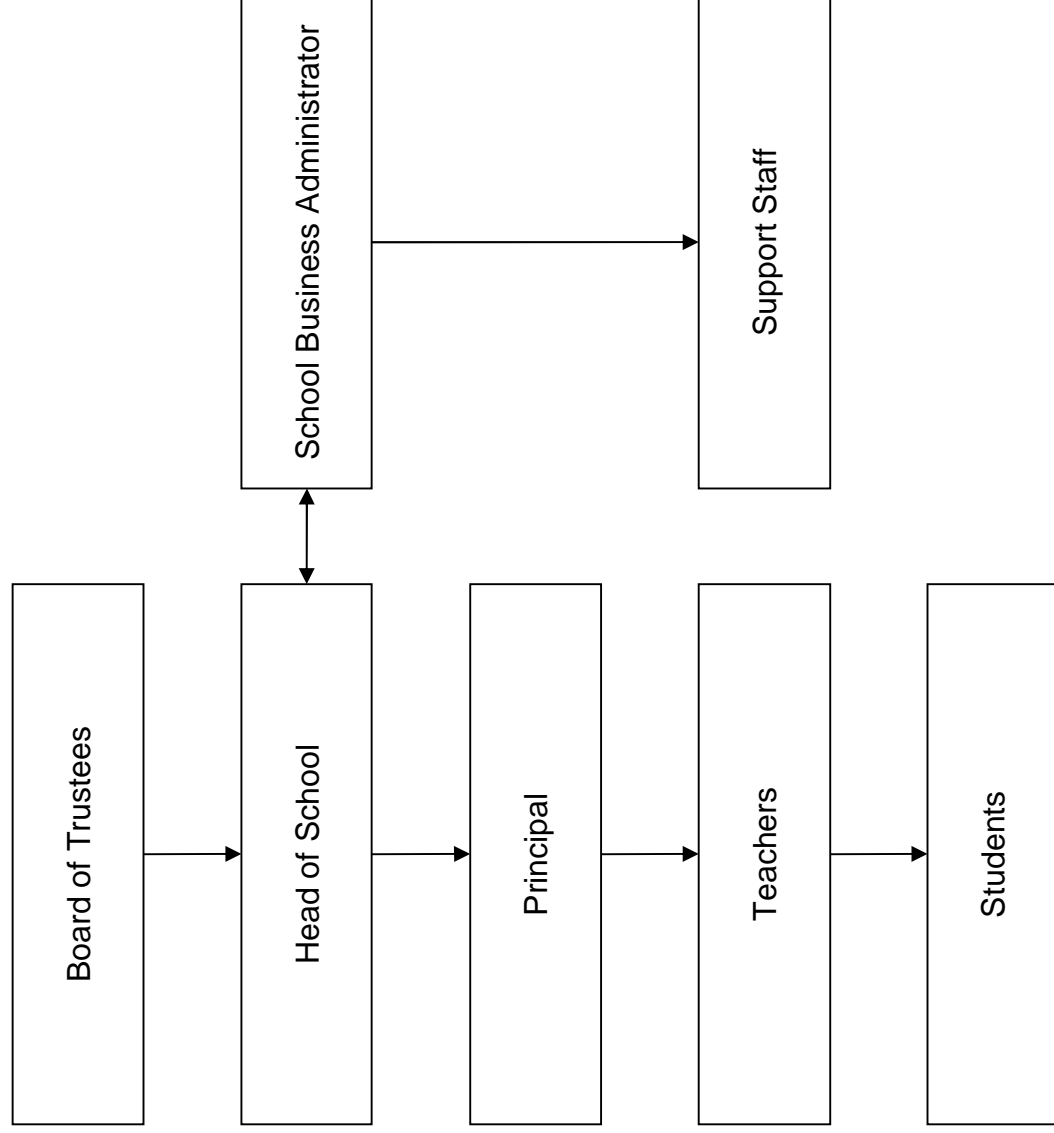
8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Pace Charter School of Hamilton Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

A handwritten signature in black ink, reading "Deborah A. Pontoriero". The signature is fluid and cursive, with the first name "Deborah" being the most prominent part.

Deborah A. Pontoriero  
Lead Person

# ORGANIZATIONAL CHART



**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2014**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Nicole Pollard-Alford	President
Marisol Dewitt	Trustee
Ingrid Trottnan	Trustee
Lakesha Williams	Trustee
Nicole Pollard-Alford	Trustee
Norma Villanueva	Trustee
Maritza Raimadi-Petroski	Trustee

**OTHER OFFICIALS**

Deborah A. Pontoriero (ex-officio)	Lead Person
Paul Dewitt	SBA
Jill Mingo	Teacher Representative

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, NJ 07083

***Official Depository***

Sun Bank  
411 Route 33  
Trenton, NJ 08619

***Attorney***

Parker McCay  
1009 Lenox Drive  
Building 4E  
Lawrenceville, NJ 08648



***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Pace Charter School of Hamilton  
County of Mercer  
Hamilton, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The Charter School's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, as of June 30, 2014, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards

and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2014 on our consideration of the Pace Charter School of Hamilton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 12, 2014

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of Pace Charter School of Hamilton's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- ❖ General revenues accounted for \$2,285,586 in revenue or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$81,349 or 3% of total revenues of \$2,366,935.
- ❖ The Charter School had \$2,263,553 in expenses; only \$81,349 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,285,586 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$2,034,433 in revenues and \$2,014,239 in expenditures. The General Fund's fund balance increased \$20,194 over 2013. This increase was anticipated by the Board of Trustees.

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pace Charter School of Hamilton as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Pace Charter School of Hamilton, the General Fund is by far the most significant fund.

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**Statement of Net Position and the Statement of Activities (Continued)**

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

**Governmental Funds**

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.



**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**Proprietary Fund**

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 63 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net position were \$591,930 for June 30, 2014 and \$488,547 for 2013.

**Governmental Activities**

The Charter School's total revenues were \$2,289,889 for the year ended June 30, 2014 and \$1,635,337 for 2013, this includes \$132,724 for 2014 and \$114,784 for 2013 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$2,190,362 for 2014 and \$1,744,653 for 2013. Instruction comprises 68% for 2014 and 55% for 2013 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and capitalized when such equipment is over the \$2,000 threshold.

**Business-Type Activity**

Revenues for the Charter School's business-type activity (food service program) are comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenses by \$3,855 for 2014 and expenses exceeded revenues by \$2,517 for 2013.
- ❖ Charges for services represent \$5,928 for 2014 and \$4,255 for 2013 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$71,118 for 2014 and \$45,625 for 2013.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$2,269,695 for 2014 and \$1,635,337 for 2013 and expenditures were \$2,269,695 for 2014 and \$1,744,653 for 2013. The net change in fund balance for the year was most significant in the general fund, an increase of \$20,194.

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2014, and the amounts and percentages of increases and decreases in relation to prior year amounts.

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2013	Percent of Increase/ (Decrease)
Local Sources	\$ 399,114	17.43%	\$ 165,355	70.74%
State Sources	1,635,319	71.41%	337,442	26.00%
Federal Sources	255,456	11.16%	151,755	146.34%
Total	<u>\$ 2,289,889</u>	<u>100.00%</u>	<u>\$ 654,552</u>	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2014, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2013	Percent of Increase/ (Decrease)
Instruction	\$ 1,206,912	53.18%	\$ 472,795	64.40%
Administration	680,402	29.98%	95,000	16.23%
Support Services	297,381	13.10%	(127,753)	-30.05%
Capital Outlay	85,000	3.74%	85,000	0.00%
Total	<u>\$ 2,269,695</u>	<u>100.00%</u>	<u>\$ 525,042</u>	

Changes in expenditures were the results of varying factors.

**General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**PACE CHARTER SCHOOL OF HAMILTON  
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights (Continued)**

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**For the Future**

Pace Charter School of Hamilton is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Pace Charter School of Hamilton has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Deborah A. Pontoriero, School Business Administrator at Pace Charter School of Hamilton, 1949 Hamilton Avenue, Hamilton, New Jersey 08619. Please visit our website at <http://www.pacecharterschool.com/>.

***BASIC FINANCIAL STATEMENTS***

## **SECTION A – DISTRICT-WIDE FINANCIAL STATEMENTS**

***The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.***

**PACE CHARTER SCHOOL OF HAMILTON**

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 169,172	\$ 223,772	\$ 392,944
Interfund Receivables	332,527		332,527
Receivables	65,500	3,533	69,033
Prepaid Expenses	65,496		65,496
Capital Assets, Net	79,333		79,333
<b>Total Assets</b>	<b>712,028</b>	<b>227,305</b>	<b>939,333</b>
<b>LIABILITIES:</b>			
Interfund Payable	75,687	219,003	294,690
Accounts Payable		14,633	14,633
Other Current Liabilities	38,080		38,080
<b>Total Liabilities</b>	<b>113,767</b>	<b>233,636</b>	<b>347,403</b>
<b>NET POSITION:</b>			
Invested in Capital Assets, Net of Related Debt	79,333		79,333
Unassigned	518,928	(6,331)	512,597
<b>Total Net Position</b>	<b>\$ 598,261</b>	<b>\$ (6,331)</b>	<b>\$ 591,930</b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**PACE CHARTER SCHOOL OF HAMILTON**

Statement of Activities

For The Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 1,199,404	\$ 283,828	\$ -	\$ 4,303	\$ -	\$ (1,478,929)	\$ -	\$ (1,478,929)
Administration	316,703	68,409				(385,112)		(385,112)
Support Services	304,889	11,462				(316,351)		(316,351)
Unallocated Depreciation	5,667					(5,667)		(5,667)
Total Governmental Activities	1,826,663	\$ 363,699	\$ -	\$ 4,303	\$ -	(2,186,059)	\$ -	(2,186,059)
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	73,191		5,928	71,118			3,855	3,855
Total Business-Type Activities	73,191		5,928	71,118	-	-	3,855	3,855
Total Primary Government	\$ 1,899,854		\$ 5,928	\$ 75,421	\$ -	\$ (2,186,059)	\$ 3,855	\$ (2,182,204)
<b>GENERAL REVENUES</b>								
General Purposes						\$ 399,114	\$ -	\$ 399,114
Federal and State Aid Not Restricted						1,886,472		1,886,472
Total General Revenues						2,285,586	-	2,285,586
Change in Net Position						99,527	3,855	103,382
Net Position - Beginning						498,734	(10,186)	488,548
Net Position - Ending						\$ 598,261	\$ (6,331)	\$ 591,930



## ***SECTION B – FUND FINANCIAL STATEMENTS***

***The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.***

***GOVERNMENTAL FUNDS***

**PACE CHARTER SCHOOL OF HAMILTON**

Governmental Funds

Balance Sheet

June 30, 2014

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 158,985	\$ 10,187	\$ 169,172
Interfund Receivables	332,527		332,527
Receivables from Other Governments		65,500	65,500
Prepaid Expenses	65,496		65,496
<b>Total Assets</b>	<u>\$ 557,008</u>	<u>\$ 75,687</u>	<u>\$ 632,695</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Interfund Payables	\$ -	75,687	\$ 75,687
Due to District	38,080		38,080
<b>Total Liabilities</b>	<u>38,080</u>	<u>75,687</u>	<u>113,767</u>
Fund Balances:			
Unassigned:			
General Fund	518,928		518,928
<b>Total Fund Balances</b>	<u>518,928</u>	<u>-</u>	<u>518,928</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 557,008</u>	<u>\$ 75,687</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$85,000 and the accumulated depreciation is \$5,667.

	<u>79,333</u>
Net Position of Governmental Activities	<u>\$ 598,261</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**PACE CHARTER SCHOOL OF HAMILTON**  
 Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 399,114	\$ -	\$ 399,114
Total Local Sources	399,114	-	399,114
State Sources	1,635,319		1,635,319
Federal Sources		255,456	255,456
Total Revenues	2,034,433	255,456	2,289,889
EXPENDITURES:			
Instruction	1,024,776	182,136	1,206,912
Administration	680,402		680,402
Support Services	224,061	73,320	297,381
Capital Outlay	85,000		85,000
Total Expenditures	2,014,239	255,456	2,269,695
NET CHANGE IN FUND BALANCES	20,194	-	20,194
FUND BALANCES, JULY 1	498,734	-	498,734
FUND BALANCES, JUNE 30	\$ 518,928	\$ -	\$ 518,928

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**PACE CHARTER SCHOOL OF HAMILTON**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental fund (from B-2)	\$ 20,194
--	-----------

Amounts reported for governmental activities in the statement  
 of activities (A-2) which are different because:

Capital outlays are reported in governmental funds as expenditures.  
 However, on the statement of activities, the cost of those assets is allocated  
 over their estimated useful lives as depreciation expense. This is the amount  
 by which capital outlays exceeded depreciation in the current fiscal year.

Capital Outlay	\$ 85,000	
Depreciation Expense	<u>(5,667)</u>	<u>79,333</u>

Change in net position of governmental activities	<u>\$ 99,527</u>
---	------------------

The accompanying Notes to Basic Financial Statements are integral part of this statement.

***PROPRIETARY FUNDS***

**PACE CHARTER SCHOOL OF HAMILTON**

Proprietary Fund

Statement of Fund Net Position

June 30, 2014

	Business Type- Activities <u>Food Service</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 223,772
Intergovernmental Accounts Receivable:	
Federal	3,484
State	<u>49</u>
Total Assets	<u>227,305</u>
<b>LIABILITIES:</b>	
Liabilities:	
Current Liabilities:	
Interfund Accounts Payable	219,003
Accounts Payable	<u>14,633</u>
Total Current Liabilities	<u>233,636</u>
Total Liabilities	<u>233,636</u>
<b>NET POSITION:</b>	
Unrestricted	<u>(6,331)</u>
Total Net Position	<u><u>\$ (6,331)</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**PACE CHARTER SCHOOL OF HAMILTON**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years Ended June 30, 2014

	Business Type- Activities <u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 5,928
Total Operating Revenues	<u>5,928</u>
OPERATING EXPENSES:	
Cost of Sales	<u>73,191</u>
Total Operating Expenses	<u>73,191</u>
OPERATING LOSS	<u>(67,263)</u>
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	998
Federal Source:	
National School Breakfast Program	23,412
National School Lunch Program	<u>46,708</u>
Total Nonoperating Revenues	<u>71,118</u>
CHANGE IN NET POSITION	3,855
TOTAL NET POSITION, JULY 1	<u>(10,186)</u>
TOTAL NET POSITION, JUNE 30	<u><u>\$ (6,331)</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.



**PACE CHARTER SCHOOL OF HAMILTON**  
Proprietary Fund  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

	Business Type- Activities <u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 4,887
Cash Payments to Suppliers and Employees	<u>40,225</u>
Net Cash Provided By Operating Activities	<u>45,112</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received From State And Federal Reimbursements	<u>71,118</u>
Net Cash Provided By Noncapital Financing Activities	<u>71,118</u>
Net Increase In Cash And Cash Equivalents	116,230
Cash And Cash Equivalents, Beginning Of Year	<u>107,542</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 223,772</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (67,263)
Increase In Receivables From Other Governments	(1,041)
Increase In Interfund Payable	101,699
Increase In Accounts Payable	<u>11,717</u>
Net Cash Provided By Operating Activities	<u><u>\$ 45,112</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

***FIDUCIARY FUNDS***

**PACE CHARTER SCHOOL OF HAMILTON**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2014

	Agency Fund
	<hr/>
ASSETS:	
Cash and Cash Equivalents	\$     37,837
	<hr/>
Total Assets	\$     37,837
	<hr/> <hr/>
LIABILITIES:	
Liabilities:	
Interfund Accounts Payable	\$     37,837
	<hr/>
Total Liabilities	\$     37,837
	<hr/> <hr/>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

***NOTES TO THE FINANCIAL STATEMENTS***

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (Board) of Pace Charter School of Hamilton have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Starting on fiscal year ended June 30, 2014, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement no. 63 identifies net position, rather than net assets as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

**A. Reporting Entity**

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Pace Charter School of Hamilton is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation, Basis of Accounting**

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*Charter School-Wide Statements:* The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

*Fund Financial Statements:* During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund and Payroll Agency Fund.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School - wide, Proprietary, and Fiduciary Fund Financial Statements*: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**B. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 255,456
Adjustments:	
Less Encumbrances at June 30, 2014	-
Plus Encumbrances at June 30, 2013	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 255,456</u>

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Encumbrances Accounting**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**D. Assets, Liabilities, and Equity**

**Interfund Transactions:**

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses:**

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**Deposits**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**Investments**

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.



**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2014, cash and cash equivalents of the District consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 158,985	\$ 10,187	\$ 223,772	\$ 37,837	\$ 430,781

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2014 was \$430,781 and the bank balance was \$450,089. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Risk Category (Category)**

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3— Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2014, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2014, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2014, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

**PACE CHARTER SCHOOL OF HAMILTON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3:     RECEIVABLES (CONTINUED)**

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 65,500	\$ 65,549
Federal Aid	-	3,484
Other	65,496	65,496
Gross Receivables	130,996	134,529
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 130,996</u>	<u>\$ 134,529</u>

**NOTE 4:     INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 332,527	\$ -
Special Revenue Fund		75,687
Proprietary Fund		219,003
Fiduciary Fund		37,837
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 332,527</u>	<u>\$ 332,527</u>

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5: CAPITAL ASSETS**

Capital Assets as of June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ -	\$ 85,000	\$ -	\$ 85,000
Totals at Historical Cost	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	-	5,667	-	5,667
Total Accumulated Depreciation	<u>-</u>	<u>5,667</u>	<u>-</u>	<u>5,667</u>
Total Capital Assets Being Depreciated,				
Net of Accumulated Depreciation	<u>-</u>	<u>79,333</u>	<u>-</u>	<u>79,333</u>
Government Activity Capital Assets, Net	<u>\$ -</u>	<u>\$ 79,333</u>	<u>\$ -</u>	<u>\$ 79,333</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of \$5,667 was charged to functions as follows:

Instruction	\$ -
Unallocated	<u>5,667</u>
	<u>\$ 5,667</u>

**NOTE 6: RENTAL LEASE**

The school has entered into a ten (10) year lease commencing July 1, 2008 and expiring June 30, 2018 with a related party to lease classroom and office space at 1949 Hamilton Avenue, Hamilton, New Jersey based on the following rent schedule:

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6: RENTAL LEASE (Continued)**

<u>Years</u>	<u>Amount</u>
1 and 2	\$102,000
3 through 5	\$108,000
6 and 7	\$114,000
8 through 10	\$120,000

The lease is a triple net lease by which the tenant is responsible for real estate taxes, utilities, and all items of maintenance. Total lease payments made during the year ended June 30, 2014 was \$139,427.

On May 21, 2014, the school entered into a five (5) year lease commencing September 1, 2014 and expiring August 30, 2019 to lease classroom and office space at 3500 South Broad Street, Hamilton, New Jersey. The school prepaid rent in the amount of \$20,394.88 in June, 2014. The first rent payment is not due until December 1, 2014.

<u>Years</u>	<u>Amount</u>
1	\$183,553
2	\$261,048
3 through 5	\$277,364

On August 15, 2013, the school entered into a five (5) year lease commencing June 1, 2013 and expiring May 30, 2018 to lease classroom and office space at 528 South Olden Avenue, Hamilton, New Jersey. In accordance with the terms of the lease, no rent was due in the first year. Rent for years 2 through 5 is \$59,598 per year paid in monthly installments. The school paid rent in the amount of \$4,968.46 during the year ended June 30, 2014.

**NOTE 7: PENSION PLANS**

**Description of Plans**

All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teachers' Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)**

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Vesting and Benefit Provisions (Continued)**

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation**

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the School's normal contributions to the Fund may be reduced based on the revaluation of assets.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.64% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a noncontributing employer of TPAF.

**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7: PENSION PLANS (CONTINUED)**

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/14	\$12,397	100%	\$12,397
06/30/13	69,245	100%	69,245
06/30/12	55,459	100%	55,459

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/14	\$70,445	100%	\$70,445
06/30/13	69,245	100%	69,245
06/30/12	55,459	100%	55,459

**NOTE 8: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013 there were 100,134 retirees receiving post-retirement medical benefits, the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.



**PACE CHARTER SCHOOL OF HAMILTON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

**NOTE 9: RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance**

The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**NOTE 10: FUND BALANCE APPROPRIATED**

**General Fund**

The General Fund fund balance of \$518,928 in the fund financial statements at June 30, 2014 is unreserved and undesignated.

**NOTE 11: RELATED PARTY TRANSACTIONS**

The Charter School leases its school facility from P & G Enterprises, LLC, which is a related party to the Lead Person. The lease expires in 2018.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULES***

**PACE CHARTER SCHOOL OF HAMILTON**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 444,961		\$ 444,961	\$ 399,114	\$ (45,847)
Total Local Levy Budget	444,961	-	444,961	399,114	(45,847)
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	1,342,429		1,342,429	1,454,463	112,034
Special Education Aid	21,522		21,522	4,303	(17,219)
Security Aid	38,029		38,029	43,829	5,800
Total Categorical Aid	1,401,980	-	1,401,980	1,502,595	100,615
Revenues From Other Sources:					
Reimbursed TPAF Pension Contributions (Non-Budgeted)				70,445	70,445
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				62,279	62,279
Total Revenues From Other Sources	-	-	-	132,724	132,724
Total Revenues	1,846,941	-	1,846,941	2,034,433	187,492
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	601,375	123,559	724,934	724,934	-
Other Salaries for Instruction	126,000	68,226	194,226	194,226	-
Purchased Prof/Tech Services	9,600	4,472	14,072	14,072	-
Other Purchased Services	6,750	10,374	17,124	17,124	-
General Supplies	61,500	9,050	70,550	70,550	-
Textbooks	6,000	(6,000)	-	-	-
Miscellaneous	5,000	(1,130)	3,870	3,870	-
Total Instruction	816,225	208,551	1,024,776	1,024,776	-
Administration:					
Salaries - General Administration	181,600	(40,123)	141,477	141,477	-
Salaries of Secretarial/Clerical Assistants	71,500	8,560	80,060	80,060	-
Total Benefits Cost	213,547	65,762	279,309	231,018	48,291
Purchases Prof/Tech Services	20,500	13,311	33,811	33,811	-
Other Purchased Services	4,990	22,130	27,120	27,120	-
Communications/Telephone	16,500	(6,968)	9,532	9,532	-
Supplies and Materials	8,000	15,567	23,567	23,567	-
Miscellaneous Expenses	20,000	(18,907)	1,093	1,093	-
Total Administration	536,637	59,332	595,969	547,678	48,291

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**PACE CHARTER SCHOOL OF HAMILTON**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 87,260	\$ (50,141)	\$ 37,119	\$ 37,119	\$ -
Purchased Prof/Ed Services	2,250	(2,250)	-		-
Purchased Prof/Tech Services	12,000	(7,888)	4,112	4,112	-
Rental of Land and Buildings	184,050	(24,623)	159,427	144,395	15,032
Transportation-Other Than To/From School	5,000	502	5,502	5,502	-
Insurance for Property, Liability and Fidelity	17,500	(6,868)	10,632	10,632	-
Supplies and Materials	10,000	(8,779)	1,221	1,221	-
Energy Costs (Heat and Electricity)	22,500	(2,538)	19,962	19,962	-
Miscellaneous Expenses	16,500	(15,382)	1,118	1,118	-
Total Support Services	357,060	(117,967)	239,093	224,061	15,032
Capital Outlay:					
Non-Instructional Equipment	65,000		65,000	85,000	(20,000)
Total Capital Outlay	65,000	-	65,000	85,000	(20,000)
Reimbursed TPAF Pension Contributions (Non-Budgeted)				70,445	(70,445)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	62,279	(62,279)
Total Expenditures	1,774,922	149,916	1,924,838	2,014,239	(18,956)
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,019	(149,916)	(77,897)	20,194	98,091
FUND BALANCE, JULY 1	337,345	(155,166)	182,179	498,734	316,555
FUND BALANCE, JUNE 30	\$ 409,364	\$ (305,082)	\$ 104,282	\$ 518,928	\$ 414,646
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 409,364	\$ (305,082)	\$ 104,282	\$ 518,928	\$ 414,646
Total	\$ 409,364	\$ (305,082)	\$ 104,282	\$ 518,928	\$ 414,646

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**PACE CHARTER SCHOOL OF HAMILTON**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Federal	\$ 255,448	\$ 8	\$ 255,456	\$ 255,456	\$ -
Total Revenues	255,448	8	255,456	255,456	-
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	50,000		50,000	50,000	-
Purchased Prof/Tech Services	24,706		24,706	24,706	-
Other Purchased Services	1,972		1,972	1,972	-
General Supplies	103,682	1,776	105,458	105,458	-
Total Instruction	180,360	1,776	182,136	182,136	-
Support Services:					
Salaries	34,250		34,250	34,250	-
Personal Services - Employee Benefits	16,001	(1,768)	14,233	14,233	-
Purchased Prof/Ed Services	5,000		5,000	5,000	-
Purchased Technical Services	8,953		8,953	8,953	-
Supplies and Materials	10,884		10,884	10,884	-
Total Support Services	75,088	(1,768)	73,320	73,320	-
Total Expenditures	255,448	8	255,456	255,456	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**PACE CHARTER SCHOOL OF HAMILTON**

Budgetary Comparison Schedule

Budget-To-GAAP Reconciliation

Note to RSI

For the Fiscal Year Ended June 30, 2014

Note A - Explanation of differences between Budgetary Inflows  
and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b> \$ 2,034,433	<b>[C-2]</b> \$ 255,456
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	 - <hr/>	 - <hr/>
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	 <b>[B-2]</b> \$ <u>2,034,433</u>	 <b>[B-2]</b> \$ <u>255,456</u>
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b> \$ 2,014,239	<b>[C-2]</b> \$ 255,456
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	 - <hr/>	 - <hr/>
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	 <b>[B-2]</b> \$ <u>2,014,239</u>	 <b>[B-2]</b> \$ <u>255,456</u>



***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

*Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*

**THE PACE CHARTER SCHOOL OF HAMILTON**  
Special Revenue Fund  
Combining Schedule of Revenues and Expenditures  
Budgetary Basis  
For the Fiscal Year Ended June 30, 2014

	Title I	Title II Part A	I.D.E.A.	Local Grant	Expansion Grant	Total
<b>REVENUE SOURCES:</b>						
Federal	\$ 67,673	\$ 5,569	\$ 24,706	\$ 7,508	\$ 150,000	\$ 255,456
Total Revenues	<u>\$ 67,673</u>	<u>\$ 5,569</u>	<u>\$ 24,706</u>	<u>\$ 7,508</u>	<u>\$ 150,000</u>	<u>\$ 255,456</u>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Purchased Prof/Tech Services			24,706			24,706
Other Purchased Services					1,972	1,972
General Supplies	4,557			7,508	93,393	105,458
Total Instruction	<u>54,557</u>	<u>-</u>	<u>24,706</u>	<u>7,508</u>	<u>95,365</u>	<u>182,136</u>
Support Services:						
Salaries of Supervisors of Instruction					34,250	34,250
Personal Services - Employee Benefits	9,732				4,501	14,233
Purchased Prof/Ed Services					5,000	5,000
Purchased Technical Services	3,384	5,569				8,953
Supplies and Materials					10,884	10,884
Total Support Services	<u>13,116</u>	<u>5,569</u>	<u>-</u>	<u>-</u>	<u>54,635</u>	<u>73,320</u>
Total Expenditures	<u>\$ 67,673</u>	<u>\$ 5,569</u>	<u>\$ 24,706</u>	<u>\$ 7,508</u>	<u>\$ 150,000</u>	<u>\$ 255,456</u>

**SECTION G – PROPRIETARY FUND  
DETAIL STATEMENTS**

*Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School's board is that the costs of providing goods or services be financed through user charges.*

*Food Services Fund – This fund provides for the operation of food services for the Charter School.*

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND  
B-6.**

**SECTION H – FIDUCIARY FUND  
DETAIL STATEMENTS**

***Fiduciary funds are used to account for funds received by the school district for a specific purpose.***

***Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.***

***As of June 30, 2014, there is no non-expendable trust fund utilized by the Charter School.***

***Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, other governments and/or other funds.***

***Student Activity Fund – This agency fund is used to account for student funds held at the schools.***

***Payroll Agency Fund – This agency fund is used to account for the payroll transactions of the school district.***

**PACE CHARTER SCHOOL OF HAMILTON**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2014

	Agency Fund		
	Payroll Agency	Net Payroll	Total Agency
<b>ASSETS:</b>			
Cash and Cash Equivalents	<u>\$ 20,993</u>	<u>\$ 16,844</u>	<u>\$ 37,837</u>
Total Assets	<u><u>\$ 20,993</u></u>	<u><u>\$ 16,844</u></u>	<u><u>\$ 37,837</u></u>
<b>LIABILITIES:</b>			
Liabilities:			
Interfund Accounts Payable	<u>\$ 20,993</u>	<u>16,844</u>	<u>\$ 37,837</u>
Total Liabilities	<u>20,993</u>	<u>16,844</u>	<u>37,837</u>
Total Liabilities	<u><u>\$ 20,993</u></u>	<u><u>\$ 16,844</u></u>	<u><u>\$ 37,837</u></u>

**PACE CHARTER SCHOOL OF HAMILTON**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 3,294	\$ 434,340	\$ 416,641	\$ 20,993
Total Assets	<u>\$ 3,294</u>	<u>\$ 434,340</u>	<u>\$ 416,641</u>	<u>\$ 20,993</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 3,294	\$ 434,340	\$ 416,641	\$ 20,993
Total Liabilities	<u>\$ 3,294</u>	<u>\$ 434,340</u>	<u>\$ 416,641</u>	<u>\$ 20,993</u>

**STATISTICAL SECTION  
(UNAUDITED)**

***GASB requires that ten years of statistical data be presented, State law usually grants charters for less than information available, Each year thereafter, an additional year's data will be included until ten years of data is presented.***



**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

**Revenue Capacity (Not Applicable to Charter School)**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the charter school provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning that year.

***FINANCIAL TRENDS***

**PACE CHARTER SCHOOL OF HAMILTON**  
 Net Assets/Position by Component  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Activities</b>										
Invested in capital assets, net of related debt	\$ 79,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	518,928	498,734	608,049	508,961	353,245	100,018	106,086	161,462	171,047	114,273
<b>Total Governmental Activities Net Assets/Position</b>	<b>\$ 598,261</b>	<b>\$ 498,734</b>	<b>\$ 608,049</b>	<b>\$ 508,961</b>	<b>\$ 353,245</b>	<b>\$ 100,018</b>	<b>\$ 106,086</b>	<b>\$ 161,462</b>	<b>\$ 171,047</b>	<b>\$ 114,273</b>
<b>Business-Type Activities</b>										
Unrestricted	\$ (6,331)	\$ (10,186)	\$ (7,669)	\$ (407)	\$ 491	\$ 688	\$ 3,824	(3,871)	(4,123)	(3,830)
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ (6,331)</b>	<b>\$ (10,186)</b>	<b>\$ (7,669)</b>	<b>\$ (407)</b>	<b>\$ 491</b>	<b>\$ 688</b>	<b>\$ 3,824</b>	<b>\$ (3,871)</b>	<b>\$ (4,123)</b>	<b>\$ (3,830)</b>
<b>Charter School-wide</b>										
Unrestricted	\$ 512,597	\$ 488,548	\$ 600,380	\$ 508,554	\$ 353,736	\$ 100,706	\$ 109,910	\$ 157,591	\$ 166,924	\$ 110,443
<b>Total Charter School-wide Net Assets/Position</b>	<b>\$ 591,930</b>	<b>\$ 488,548</b>	<b>\$ 600,380</b>	<b>\$ 508,554</b>	<b>\$ 353,736</b>	<b>\$ 100,706</b>	<b>\$ 109,910</b>	<b>\$ 157,591</b>	<b>\$ 166,924</b>	<b>\$ 110,443</b>

**PACE CHARTER SCHOOL OF HAMILTON**  
Changes in Net Assets/Position  
For the Last Ten Fiscal Years  
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 1,199,404	\$ 951,479	\$ 549,670	\$ 574,591	\$ 758,129	\$ 683,923	\$ 592,794	\$ 508,129	\$ 522,071	\$ 454,108
Administration	680,402	330,549	406,666	370,820	341,404	347,352	300,637	294,027	265,929	249,153
Support Services	304,889	462,625	575,935	370,090	326,510	365,445	296,894	300,077	211,411	208,999
Unallocated	5,667	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	2,190,362	1,744,653	1,532,271	1,315,501	1,426,043	1,397,796	1,190,325	1,134,229	1,013,346	917,707
Business-Type Activities:										
Food Service	73,191	52,397	51,940	41,028	54,435	39,947	57,310	65,898	27,848	38,611
Total Business-Type Activities Expenses	73,191	52,397	51,940	41,028	54,435	39,947	57,310	65,898	27,848	38,611
Total Charter School Expenses	\$ 2,263,553	\$ 1,797,050	\$ 1,584,211	\$ 1,356,529	\$ 1,480,478	\$ 1,437,743	\$ 1,247,635	\$ 1,200,127	\$ 1,041,194	\$ 956,318
<b>Program Revenues</b>										
Governmental Activities:										
Operating Grants and Contributions	\$ 4,303	\$ -	\$ 3,868	\$ 18,899	\$ 18,952	\$ -	\$ -	\$ -	\$ 19,557	\$ 19,325
Total Governmental Activities Expenses	4,303	-	3,868	18,899	18,952	-	-	-	19,557	19,325
Business-Type Activities:										
Charges for Services	5,928	4,255	5,594	3,095	3,667	4,916	3,035	5,544	2,719	2,785
Operating Grants and Contributions	71,118	45,625	39,084	37,035	32,571	27,887	28,286	22,468	24,697	19,435
Total Business-Type Activities Expenses	77,046	49,880	44,678	40,130	36,238	32,803	31,321	28,012	27,416	22,220
Total Charter School Program Revenue	\$ 81,349	\$ 49,880	\$ 48,546	\$ 59,029	\$ 55,190	\$ 32,803	\$ 31,321	\$ 28,012	\$ 46,973	\$ 41,545
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (2,186,059)	\$ (1,744,653)	\$ (1,528,403)	\$ (1,296,602)	\$ (1,407,091)	\$ (1,397,796)	\$ (1,190,325)	\$ (1,134,229)	\$ (993,789)	\$ (898,382)
Business-Type Activities	3,855	(2,517)	(7,262)	(898)	(18,197)	(7,144)	(25,989)	(37,886)	(432)	(16,391)
Total Charter School Net Expense	\$ (2,182,204)	\$ (1,747,170)	\$ (1,535,665)	\$ (1,297,500)	\$ (1,425,288)	\$ (1,404,940)	\$ (1,216,314)	\$ (1,172,115)	\$ (994,221)	\$ (914,773)
<b>General Revenues</b>										
Governmental Activities:										
General Purposes	\$ 399,114	\$ 232,360	\$ 263,753	\$ 299,406	\$ 229,685	\$ 211,019	\$ 207,497	\$ 222,518	\$ 322,707	\$ 310,880
Federal and State Aid Not Restricted	1,886,472	1,401,578	1,363,740	1,152,911	1,430,213	1,180,601	924,567	892,332	720,734	655,338
Investment Earnings	-	-	-	-	420	108	2,069	8,727	-	-
Miscellaneous Income	-	1,399	-	-	-	-	-	1,067	7,122	1,470
Total Governmental Activities	2,285,586	1,635,337	1,627,493	1,452,317	1,660,318	1,391,728	1,134,133	1,124,644	1,050,563	967,688
Business-Type Activities:										
Investment Earnings	-	-	-	8	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	18,000	4,000	33,604	38,000	-	15,407
Total Business-Type Activities Expenses	-	-	-	8	18,000	4,000	33,604	38,000	-	15,407
Total Charter School Wide	\$ 2,285,586	\$ 1,635,337	\$ 1,627,493	\$ 1,452,325	\$ 1,678,318	\$ 1,395,728	\$ 1,167,737	\$ 1,162,644	\$ 1,050,563	\$ 983,095
<b>Change in Net Assets/Position</b>										
Governmental Activities	\$ 99,527	\$ (109,316)	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (56,192)	\$ (9,585)	\$ 56,774	\$ 69,306
Business-Type Activities	3,855	(2,517)	(7,262)	(890)	(197)	(3,144)	7,615	114	(432)	(984)
Total Charter School	\$ 103,382	\$ (111,833)	\$ 91,828	\$ 154,825	\$ 253,030	\$ (9,212)	\$ (48,577)	\$ (9,471)	\$ 56,342	\$ 68,322

Source: Charter School's Records

**PACE CHARTER SCHOOL OF HAMILTON**  
Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	518,928	498,733	608,050	508,961	353,245	100,018	106,086	161,462	171,047	114,273
Total General Fund	<u>\$ 518,928</u>	<u>\$ 498,733</u>	<u>\$ 608,050</u>	<u>\$ 508,961</u>	<u>\$ 353,245</u>	<u>\$ 100,018</u>	<u>\$ 106,086</u>	<u>\$ 161,462</u>	<u>\$ 171,047</u>	<u>\$ 114,273</u>

**PACE CHARTER SCHOOL OF HAMILTON**  
 Changes in Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Local Sources:	\$ 399,114	\$ 233,759	\$ 263,753	\$ 299,406	\$ 230,105	\$ 211,127	\$ 210,382	\$ 232,312	\$ 280,589	\$ 286,517
State Sources	1,635,319	1,297,877	1,267,135	1,067,205	1,280,206	1,067,804	836,446	789,546	711,243	621,400
Federal Sources	255,456	103,701	100,473	104,605	168,959	112,797	88,121	102,786	78,288	79,096
Total Revenues	2,289,889	1,635,337	1,631,361	1,471,216	1,679,270	1,391,728	1,134,949	1,124,644	1,070,120	987,013
<b>Expenditures:</b>										
Instruction	1,206,912	734,117	472,566	459,885	647,282	593,465	541,578	438,130	428,171	406,597
Administration	680,402	585,402	545,875	510,124	454,756	444,667	354,537	360,096	359,829	296,664
Support Services	297,381	425,134	513,830	345,492	324,005	358,588	293,556	304,007	211,411	208,999
Capital Outlay	85,000	-	-	-	-	1,076	654	31,996	13,935	5,447
Total Expenditures	2,269,695	1,744,653	1,532,271	1,315,501	1,426,043	1,397,796	1,190,325	1,134,229	1,013,346	917,707
Net Change in Fund Balance	\$ 20,194	\$ (109,316)	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (55,376)	\$ (9,585)	\$ 56,774	\$ 69,306

**PACE CHARTER SCHOOL OF HAMILTON**  
 General Fund - Other Local Revenue by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

<u>Fiscal Year</u>	<u>Donations</u>	<u>Interest</u>	<u>Miscellaneous Revenue</u>	<u>Total</u>
2014	\$ -	\$ -	\$ -	\$ -
2013	-	-	1,399	1,399
2012	-	-	-	-
2011	-	-	-	-
2010	-	420	-	420
2009	-	108	-	108
2008	-	2,069	816	2,885
2007	-	8,727	1,067	9,794
2006	-	-	7,122	7,122
2005	-	-	1,470	1,470

Source: Charter School's Records

***OPERATING INFORMATION***



**PACE CHARTER SCHOOL OF HAMILTON**  
Full-Time Equivalent Charter School Employees by Function  
Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction	14	11	8	11	11	10	10	10	10	10
Administrative	2	2	2	3	3	3	3	3	3	3
Support Services	6	2	4	3	3	2	2	2	2	2
Food Service	3	4	3	2	2	2	2	2	2	2
Total	25	19	17	19	19	17	17	17	17	17

**PACE CHARTER SCHOOL OF HAMILTON**  
Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2014	149.0	\$ 2,184,695	14,662	-1.67%	14	10.64:1	143.0	139.0	27.68%	97.20%
2013	117.0	1,744,653	14,912	13.86%	11	10.64:1	112.0	109.0	-0.88%	97.32%
2012	117.0	1,532,271	13,096	11.50%	8	14.62:1	113.0	109.7	0.89%	97.08%
2011	112.0	1,315,500	11,746	-1.16%	11	10.45:1	112.0	112.0	-6.67%	100.00%
2010	120.0	1,426,043	11,884	2.10%	10	11.69:1	120.0	120.0	0.00%	100.00%
2009	120.0	1,396,720	11,639	14.37%	10	11.69:1	120.0	120.0	2.65%	100.00%
2008	116.9	1,189,671	10,177	10.80%	10	11.69:1	116.9	116.9	-2.58%	100.00%
2007	120.0	1,102,233	9,185	7.44%	10	11.69:1	120.0	120.0	2.65%	100.00%
2006	116.9	999,411	8,549	7.77%	10	11.5:1	116.9	116.9	1.65%	100.00%
2005	115.0	912,260	7,933	12.44%	10	11.9:1	115.0	115.0	-3.36%	100.00%

**Sources:** Charter School records

**Note:** Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

**PACE CHARTER SCHOOL OF HAMILTON**  
School Building Information  
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Charter School Building</b>										
<u>Lower School</u>										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	120	120	120	120	120	120	120	120	115	119
Enrollment	117	117	117	112	120	120	117	120	115	119

Number of Schools at June 30, 2014  
Lower School = 1

**PACE CHARTER SCHOOL OF HAMILTON**

Insurance Schedule

June 30, 2014

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability - NJ School Boards Association Insurance Group		
Products - Completed Operations Aggregate Limit	\$ 1,000,000	
Personal and Advertising Injury		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Child Molestation/Sexual Abuse		
Aggregate Limit	3,000,000	
Per Occurrence	1,000,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Premises Medical Payments		
Per Person	1,000	100
Per Accident	10,000	
Commercial Property - NJSBA Insurance Group		
Blanket Real and Personal Property		
Per Occurrence	485,000	1,000
Blanket Extra Expense	250,000	
Blanket Valuable Papers and Records	50,000	
EDP Coverage - NJSBA Insurance Group		
Blanket Hardware	25,000	1,000
Blanket Data, Media Software	25,000	
Blanket Extra Expense	included	
Business Automobile Coverage - NJSBA Insurance Group		
Combined Single Limit for Bodily Injury and Property Damage		
Per Accident (Hired and Non-Owned Only)	1,000,000	
Crime Coverage - NJSBA Insurance Group		
Faithful Performance Limit	25,000	500
Money and Securities Limit	-	
Errors and Omissions - Legion Insurance Company		
Aggregate Limit	1,000,000	5,000
Excess Liability - Umbrella Form - NJSBA Insurance Group		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Self-Insured Retention	10,000	
Workman's Compensation - NJSBA Insurance Group		
Each Accident	5,000,000	
Disease		
Each Employee	5,000,000	
Policy Limit	5,000,000	
Boiler and Machinery - NJSBA Insurance Group		
Combined Single Limit for Property Damage and Extra Expense	100,000,000	1,000

Source: Charter School's Records

**PACE CHARTER SCHOOL OF HAMILTON**  
 Charter School Performance Framework Financial Indicators  
 Near Term and Sustainability Indicators  
 Last Three Fiscal Years

	2012 Audit	2013 Audit	2014 Audit	Source
Cash	\$ 647,543	\$ 446,449	\$ 392,944	Audit: Exhibit A-1
Current Assets	654,266	703,008	860,000	Audit: Exhibit A-1
Total Assets	654,266	703,008	939,333	Audit: Exhibit A-1
Current Liabilities	53,885	214,460	347,403	Audit: Exhibit A-1
Total Liabilities	53,885	214,460	347,403	Audit: Exhibit A-1
Net Assets	600,381	488,548	591,930	Audit: Exhibit A-1
Total Revenue	1,676,039	1,685,217	2,366,935	Audit: Exhibit A-2
Total Expenses	1,584,211	1,797,050	2,263,553	Audit: Exhibit A-2
Change in Net Assets	91,828	(111,833)	103,382	Audit: Exhibit A-2
Depreciation Expense	-	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	113.00	112.00	143.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	117	117	149	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2012	2013	2014	3 YR CUM
1a. Current Ratio	12.14	3.28	2.48	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	149.19	90.68	63.36	Cash/(Total Expenses/365)
1c. Enrollment Variance	97%	96%	96%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit
<b>Sustainability Indicators</b>				
2a. Total Margin	5%	-7%	4%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.08	0.31	0.37	Total Liabilities/Total Assets
2c.** Cash Flow	\$ 193,650	\$ (201,094)	\$ (53,505)	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2014 = 2014 Cash - 2013 Cash; 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash

Refer questions to **charterfinance@doe.state.nj.us**

***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

K-1  
Page 1

**Independent Auditor's Report**

Honorable President and  
Members of the Board of Trustees  
Pace Charter School of Hamilton  
County of Mercer  
Hamilton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated October 12, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### **Restriction on Use**

This report is intended solely for the information and use of management, the audit committee, Pace Charter School of Hamilton Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 12, 2014



**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

K-2  
Page 1

**Independent Auditor's Report**

Honorable President and  
Members of the Board of Trustees  
Pace Charter School of Hamilton  
County of Mercer  
Hamilton, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the compliance of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2014. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Charter School's compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Pace Charter School of Hamilton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Restriction on Use***

This report is intended solely for the information and use of management, the audit committee, Pace Charter School of Hamilton Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read 'R. Barre', is positioned above the printed name and title.

Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 12, 2014

**PACE CHARTER SCHOOL OF HAMILTON**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2013	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	NCLB - 7500 - 14	\$ 67,673	9/1/13	8/31/14	\$ -	\$ -	\$ 56,173	\$ (67,673)	\$ -	\$ -	\$ (11,500)	\$ -	\$ -
Title II Part A	84.367A	NCLB - 7500 - 14	5,569	9/1/13	8/31/14	-	-	5,569	(5,569)	-	-	(11,500)	-	-
Total No Child Left Behind Cluster								61,742	(73,242)	-	-	-	-	-
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic	84.027	IDEA - 7500 - 14	24,706	9/1/13	8/31/14	(27,261)	-	24,706	(24,706)	-	-	(27,261)	-	-
Total Individuals with Disabilities Cluster								24,706	(24,706)	-	-	-	-	-
Other Special Revenue Funds:														
Public Charter Schools (CSP Grant)	84.282	N/A	150,000	9/1/13	8/31/14			123,281	(150,000)			(26,739)		
SSI Grant		N/A	7,508	9/1/13	8/31/14	-	-	7,508	(7,508)	-	-	-	-	-
Total Other Special Revenue Funds								130,769	(157,508)	-	-	(26,739)	-	-
Total Special Revenue Fund						(27,261)	-	217,217	(255,466)	-	-	(65,500)	-	-
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
National School Breakfast Program	10.553	N/A	23,412	7/1/13	6/30/14			22,308	(23,412)			(1,104)		
National School Breakfast Program	10.553	N/A	13,217	7/1/12	6/30/13	(746)		746						
National School Lunch Program	10.555	N/A	46,708	7/1/13	6/30/14			44,328	(46,708)			(2,380)		
National School Lunch Program	10.555	N/A	31,645	7/1/12	6/30/13	(1,708)		1,708						
Total Enterprise Fund						(2,454)	-	69,090	(70,120)	-	-	(3,484)	-	-
Sub-Total Federal Financial Awards						(29,715)	\$ -	286,307	(325,576)	\$ -	\$ -	(68,984)	\$ -	\$ -

**PACE CHARTER SCHOOL OF HAMILTON**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2014

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013			Balance at June 30, 2014			MEMO		
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education													
General Fund:													
"Local Levy" State Share - Charter School Aid	14-495-034-5120-071	\$ 1,454,463	7/1/13	6/30/14	\$ -	\$ -	\$ -	\$ 1,454,463	\$ (1,454,463)	\$ -	\$ -	\$ -	\$ 1,454,463
Special Education Aid	14-495-034-5120-089	4,303	7/1/13	6/30/14				4,303	(4,303)			*	4,303
Special Education Aid	13-495-034-5120-089		7/1/12	6/30/14								*	
Security Aid	14-495-034-5120-064	43,829	7/1/13	6/30/14				43,829	(43,829)			*	43,829
On-Behalf TPAF Pension Contributions	14-495-034-5095-006	70,445	7/1/13	6/30/14				70,445	(70,445)			*	70,445
Reimbursed TPAF - Social Security	14-495-034-5095-002	62,279	7/1/13	6/30/14				62,279	(62,279)			*	62,279
Total General Fund					-	-	-	1,635,319	(1,635,319)	-	-	-	1,635,319
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program (State Share)	14-100-010-3350-023	998	7/1/13	6/30/14				949	(998)	(49)	*	49	998
National School Lunch Program (State Share)	13-100-010-3350-023	722	7/1/12	6/30/13	(37)			37			*	*	
Total Enterprise Fund					(37)	-	-	986	(998)	(49)	-	49	998
Total State Financial Assistance					\$ (37)	\$ -	\$ -	\$ 1,636,305	\$ (1,636,317)	\$ (49)	\$ -	\$ 49	\$ 1,636,317

**PACE CHARTER SCHOOL OF HAMILTON**  
Notes to the Schedules of Expenditures Of Awards and Financial Assistance  
June 30, 2014

---

**NOTE 1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Pace Charter School of Hamilton. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

**PACE CHARTER SCHOOL OF HAMILTON**  
Notes to the Schedules of Expenditures Of Awards and Financial Assistance  
June 30, 2014

---

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 1,635,319	\$ 1,635,319
Special Revenue Fund	255,456	-	255,456
Food Service Fund	70,120	998	71,118
Total Awards & Financial Assistance	<u>\$ 325,576</u>	<u>\$ 1,636,317</u>	<u>\$ 1,961,893</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING**

Pace Charter School of Hamilton has no loan balances outstanding at June 30, 2014.

**PACE CHARTER SCHOOL OF HAMILTON**  
Notes to the Schedules of Expenditures Of Awards and Financial Assistance  
June 30, 2014

---

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

**NOTE 7. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 65,490
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>5,395</u>
Total	<u>\$ 70,885</u>



## Financial Statements

Internal control over financial reporting:

Noncompliance material to basic financial statements noted?	Yes	X	No

Auditee qualified as low-risk auditee?   X   Yes        No

Internal control over major programs:

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	Yes	X	No

Identification of major state programs:

**Name of State Program**

Local Levy – State Share

**PACE CHARTER SCHOOL OF HAMILTON**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2014

---

***Section II –Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**PACE CHARTER SCHOOL OF HAMILTON**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2014

---

***Section III –State Financial Assistance***  
***Findings and Questioned Costs***

This section identifies audit findings required to be reported by NJOMB Circular Letter 04-04.

**STATE AWARDS**

**Findings**

**PACE CHARTER SCHOOL OF HAMILTON**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2014**

---

**STATUS OF PRIOR YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.325(a)(b)) and NJOMB's Circular 04-04.

**Findings**

There were no matters reported.